

Alan F. Ciamporcero
Executive Director

Federal Regulatory Relations
1275 Pennsylvania Avenue, N.W., Suite 400
Washington, D.C. 20004
(202) 383-6416

EX PARTE OR LATE FILED

PACIFIC  TELESIS
Group - Washington

January 26, 1995

EX PARTE

William F. Caton
Acting Secretary
Federal Communications Commission
Mail Stop 1170
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Dear Mr. Caton:

DOCKET FILE COPY ORIGINAL

Re: CC Docket No. 94-1 - Price Cap Performance Review for Local Exchange Carriers

Yesterday, Pacific Bell President Dave Dorman, along with John Guelnder, Ron Stowe, Alan Ciamporcero, and Peter Knight met with Chairman Hundt and Karen Brinkmann of his office, Commissioner Ness and Jim Casserly of her office, Commissioner Chong and Richard Welch of her office, and Jim Coltharp of Commissioner Barrett's office to discuss issues contained in the attached document which was used during the meeting. Please associate this material with the above-referenced proceeding.

We are submitting two copies of this notice in accordance with Section 1.1206(a)(1) of the Commission's Rules.

Please stamp and return the provided copy to confirm your receipt. Please contact me should you have any questions or require additional information concerning this matter.

Sincerely,



Attachment

cc: Chairman Hundt
Commissioner Ness
Commissioner Chong
Karen Brinkmann
Jim Coltharp
Jim Casserly
Richard Welch

No. of Copies rec'd 0+1
List A B C D E

- INTRALATA TOLL COMPETITION FORMALLY BEGAN 1/1/95
- PACIFIC PROHIBITED FROM INTERLATA COMPETITION

	PRE-1/1/95	1/1/95
AVERAGE ACCESS RATE	\$.22944	\$.1122

PRE-1/1/95 INTERLATA	1/1/95 INTERLATA	1/1/95 INTRALATA	1/1/95 INTRALATA-PROMO
\$.57	\$.56	\$.49	\$.47

NOTE: ALL ABOVE RATES FOR A 4-MINUTE 80-MILE DAYTIME CALL.

- CPUC'S DIVISION OF RATEPAYER ADVOCATES SAID:

"only the IECs and their shareholders will be receiving the full benefits of the switched access charge reductions, and not ratepayers who use interLATA services... [T]he IECs appear to be leveraging their market power in the interLATA market to sustain lower rates in the intraLATA market."

1993 DATA (\$B)	AT&T	MCI	SPRINT	PACIFIC
GROSS PLANT	\$40.9	\$11.6	\$5.5	\$25.7
NET SALES	\$67.2	\$11.9	\$6.1	\$8.9
% SALES/PLANT	164%	103%	111%	35%

Source: Compustat, Standard and Poors. Sprint long distance operations only.

1994 TV & PRINT	AT&T	MCI	SPRINT	PACIFIC
CALIFORNIA ADVERTISING (\$M)	\$69	\$43	\$26	\$18
% INCR. OVER 1993	24%	49%	8%	-8%

Source: Competitrack, FCB, Goodby and Time Buying Services.

Data through November 1994 vs. November 1993. Pacific data includes radio advertising.

- LET US KEEP IT, AND WE'LL INVEST IT.
- RBOCS INCREASED INVESTMENT BY \$3.5B DURING 1991-93.
- OUR EDUCATION FIRST PROGRAM TO "WIRE" SCHOOLS AND LIBRARIES WILL COST UP TO \$115M.

- GIVE IT TO THEM, AND THEY'LL GIVE IT TO WHITNEY HOUSTON.



- SOME ESSENTIALLY ADVOCATE A RETURN TO RATE OF RETURN REGULATION. ROR WAS APPROPRIATE IN A STABLE AND NONCOMPETITIVE WORLD. TODAY IT'S BAD PUBLIC POLICY.
- SHARING AND PRODUCTIVITY TARGETS ARE RELICS OF RATE OF RETURN REGULATION. BOTH SHOULD BE ELIMINATED.
 - SHARING:
 - DISCOURAGES INVESTMENT IN THE NETWORK.
 - GIVES OUR *COMPETITORS* AND THEIR SHAREHOLDERS THE FRUITS OF *OUR* EFFICIENCIES.
 - REQUIRES CONTINUED ARBITRARY COST ALLOCATIONS AND DISTORTS POLICY DECISIONS.
 - FOR EXAMPLE, MCI'S PROTEST OF OUR "EDUCATION FIRST" FILING HAS TROUBLED THE CCB STAFF. THEY ARE CONCERNED ABOUT THE EFFECT ON SHARING.
 - IF A PRODUCTIVITY TARGET IS RETAINED:
 - IT SHOULD BE CALCULATED FROM NATIONAL DATA BY IMPARTIAL ECONOMISTS LIKE THE GNP-PI.
 - A ROLLING FIVE-YEAR AVERAGE OF TOTAL FACTOR PRODUCTIVITY TO INCORPORATE CHANGES IN COMPETITION AND TECHNOLOGY SHOULD BE USED.

- THE COMMISSION SHOULD NOT RETREAT, BUT CONTINUE TOWARD REGULATORY REFORM.